

Message Text

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4/18/73 EXT. 23699 OX7-7348

APPROVED BY EA/ TB: JBDEXTER

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R 182113 Z APR 73

FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK

DA

CSAF

CNO

CMC

INFO CINCPAC

C O N F I D E N T I A L STATE 072776

E. O. 11652: GDS

TAGS: MARR, TH

SUBJ: RTG POLICY RE US MILITARY CONTRACTS

REFS: A. MACTHAI 010828 Z MAR 73

B. BANGKOK 3492

C. BANGKOK 4265

D. BANGKOK 5240

JOINT STATE/ DEFENSE MESSAGE

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1. WE AGREE IN PRINCIPLE WITH EXPRESSED RTG INTEREST IN DEVELOPMENT AND EXPANSION OF THAI CAPABILITIES, AND DOD WILL COOPERATE IN EFFORTS TO INCREASE ITS CONTRACT AWARDS TO THAI FIRMS, ASSUMING THEY ARE BOTH QUALIFIED AND COMPETITIVE. IN THIS REGARD, DOD IS PREPARED TO ASSIST IN EFFORTS TO IDENTIFY QUALIFIED LOCAL FIRMS FROM WHICH TO SOLICIT BIDS. DOD ALSO HAS AUTHORIZED WAIVER OF THE BALANCE OF PAYMENTS RESTRICTIONS WHICH WOULD OTHERWISE APPLY TO THAI FIRMS IN SUCH PROCUREMENTS. BECAUSE IMPOSITION OF LOCAL BUSINESS TAXES WILL ADVERSELY AFFECT THE COMPETITIVE POSITION OF LOCAL FIRMS, TAX RELIEF ISSUE SHOULD BE REVIEWED IN THE CONTEXT OF EFFORTS TO INCREASE AWARDS TO THAI FIRMS.

2. THE FOREGOING IS DESIGNED TO PERMIT QUALIFIED THAI FIRMS TO BE FULLY COMPETITIVE WITH RESPECT TO PRICE.

SINCE EXISTENCE OF QUALIFIED THAI BIDDERS CONSTITUTES MAJOR UNKNOWN, WE ASSUME THAT REVIEW OF CURRENT CONTRACTS TO ASCERTAIN THAI CONTRACTORS WHO ARE POTENTIALLY COMPETITIVE CAN BEST BE DONE BY EMBASSY/ MAC THAI OFFICES USING LIST PASSED KRIANGSAK AS STARTING POINT. LIST SHOULD BE FURNISHED TO OSD/ ISA FOR INFORMATION. WE EXPECT EMBASSY TO TAKE ADVANTAGE OF OPPORTUNITY IN EACH INDIVIDUAL CASE TO IDENTIFY TAX COSTS AND SEEK EXEMPTIONS. THIS APPROACH APPEARS CONSISTENT WITH PRIME MINISTER'S LETTER (REF A-331) STATING INDIVIDUAL CASES COULD BE CONSIDERED ON THEIR MERITS. IF IT REMAINS NECESSARY TO REFER EXEMPTION REQUESTS TO FOREIGN MINISTRY, IT WOULD SEEM ADVANTAGEOUS TO HAVE REQUEST GENERATED BY JOINT MEETING IN CONTEXT OF POTENTIAL CONTRACTS WITH THAI SOURCES. THE GAO HAS IDENTIFIED AGAIN THE THAI TAX PROBLEM IN ITS DECEMBER 1972 REPORT TO THE CONGRESS AND BOTH GAO AND CONGRESSIONAL SCRUTINY CAN BE ANTICIPATED ON THAI CONTRACTS FINANCED BY USG APPROPRIATIONS. THUS EVERY EFFORT SHOULD BE MADE TO ELIMINATE SUCH PAYMENT BY EXEMPTION PROCEDURES.

3. WE APPROVE FOLLOWING WRITTEN STATEMENT FOR USE AS REQUESTED IN REF B:

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A) " THIS LETTER RESPONDS TO YOUR RECENT INQUIRIES

CONCERNING FOREIGN CONTRACTORS IN SUPPORT OF US FORCES
IN THAILAND. A LIST OF CONTRACTS WITH FOREIGN FIRMS
HAS PREVIOUSLY BEEN MADE AVAILABLE.

B) " TO IDENTIFY SPECIFIC FUNCTIONS AND CONTRACTS
THAT MIGHT BE COMPETITIVELY AWARDBLE TO THAI CONTRACTORS
AS CURRENT CONTRACTS EXPIRE WE ARE PREPARED TO DISCUSS
INDIVIDUAL CONTRACTS WITH YOU OR YOUR REPRESENTATIVES.
BIDDING FOR CONTRACTS WILL BE OPEN TO ALL QUALIFIED
FIRMS. IT IS OUR UNDERSTANDING THAT INDIVIDUAL FIRM
QUALIFICATIONS WILL BE DETERMINED BY US CONTRACTING
AUTHORITIES IN ACCORDANCE WITH ESTABLISHED CRITERIA
AND THAT COMPETITIVE CONDITIONS WILL BE MAINTAINED. THE
AVAILABILITY OF TAX RELIEF FOR US DEFENSE EXPENDITURES
IN THAILAND WOULD FACILITATE THE COMPETITIVE AWARD OF
MORE CONTRACTS TO OTHERWISE QUALIFIED THAI FIRMS. IN
CASES WHERE THERE IS NO ESTABLISHED QUALIFIED THAI
FIRM, BUT A POTENTIAL FOR DEVELOPMENT OF MANAGEMENT AND/ OR
TECHNICAL ORGANIZATIONS EXISTS, WE ASSUME THE THAI
GOVERNMENT WILL RECOGNIZE THE NEED TO RETAIN US CONTRAC-
TORS UNTIL THAI FIRMS DEVELOP THE NECESSARY CAPABILITY."
END TEXT. ROGERS

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